

## Message Text

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13

ACTION XMB-01

INFO OCT-01 NEA-06 ISO-00 AID-05 CIAE-00 COME-00 EB-03

FRB-01 INR-10 NSAE-00 RSC-01 TRSE-00 OPIC-02 SP-02

CIEP-01 LAB-01 SIL-01 OMB-01 NSC-07 SS-14 STR-01

CEA-01 L-02 DRC-01 AGR-03 /065 W  
----- 068760

R 100455Z OCT 74

FM AMEMBASSY ISLAMABAD

TO SECSTATE WASHDC 7115

INFO AMEMBASSY DACCA

AMEMBASSY NEW DELHI

AMCONSUL KARACHI

AMCONSUL LAHORE

UNCLAS ISLAMABAD 9689

E.O. 11652: N/A

TAGS: EFIN, PK, BG

SUBJ: PAKISTAN DEBT

REF: A. STATE 208065 B. ISLAMABAD 8187

C. GOP-CONSORTIA MEMORANDUM OF UNDERSTANDING JULY 31, 1973

D. GOP-CONSORTIA MEMORANDUM OF UNDERSTANDING JUNE 28, 1974

SUMMARY: MISSION OFFICERS CALLED UPON GOP OFFICIALS AND REITERATED NEED TO REMAIN CURRENT ON DEBT PAYMENTS. WE EXPLAINED DANGERS OF DEFAULT AND LEGAL CONSEQUENCES THEREOF. ACTION REQUESTED: EXIM BANK CONSIDERATION OF APPLICATION MEMORANDUM OF UNDERSTANDING TO PROJECT LOANS IN BANGLADESH. END SUMMARY.

1. EMBOFF AND AID OFFICER CALLED UPON JOINT SECRETARY EAD CHIMA, AND DEPUTY SECRETARY EAD (DEBT) CHOUDHRY AND POINTED OUT REPAYMENTS DUE ON THREE EXIM CREDITS (REF A) HAD NOT BEEN RECEIVED IN FULL.

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2. CHIMA AND CHOUDHRY WERE PARTICULARLY PUZZLED

BY DELINQUENCY ON LOAN R-20 (RESCHEDULING CREDIT) AS FOLLOWING EARLIER CALL BY AID OFFICER THEY HAD GIVEN SPECIFIC INSTRUCTIONS THAT ALL REPAYMENTS BE MADE AS SCHEDULED ON EXIM, PL 480 AND OTHER NON-AID LOANS, WITH EXCEPTION OF THOSE RELATING TO PROJECTS VISIBLY LOCATED IN BANGLADESH. THEY EXPLAINED TO MISSION OFFICERS THAT THEY UNDERSTOOD VERY WELL THE INTENTION OF THE USG TO LIMIT RESCHEDULING IN ACCORDANCE WITH JUNE 28, 1974 MEMORANDUM OF UNDERSTANDING TO A.I.D. LOANS.

3. CHOUDHRY SUBSEQUENTLY CALLED AID OFFICER AND EXPLAINED THAT WITH REGARD TO PAYMENT ON LOAN R-20, FOLLOW UP ACTION WAS BEING TAKEN. STATE BANK OF PAKISTAN HAD ALREADY CABLED FEDERAL RESERVE BANK IN NEW YORK ASKING FOR CONFIRMATION OF PAYMENTS ORDERED SOME TIME PREVIOUSLY.

4. WITH RESPECT TO IDBP (2359/1984G) AND PICIC (2792) LOANS, GOP OFFICIALS EXPLAINED PARTIAL DELINQUENCIES WERE DUE TO THE GOP'S INTERPRETATION OF THE MEMORANDUM OF UNDERSTANDING. THIS POSITION HAD BEEN PREVIOUSLY EXPLAINED TO US (REF D, PARA 6, FF). THEY EXPLAINED THAT THESE LOANS WERE PROJECT LOANS WHICH THE INDIVIDUAL INDUSTRIAL BORROWERS WERE REPAYING TO THE SUCCESSORS OF IDBP AND PICIC LOCATED IN BANGLADESH. GBD THEREFORE CLEARLY HAD THE RESPONSIBILITY.

5. WITH REGARD TO THE DACCA INTERCONTINENTAL HOTEL, THEY AGAIN POINTED OUT THAT THE DACCA INTERCONTINENTAL WAS CLEARLY A PROJECT VISIBLY LOCATED IN BANGLADESH. WITHOUT DOUBT IT FALLS UNDER THE CONDITIONS OF PARA 3, C OF THE MEMORANDUM OF UNDERSTANDING OF JULY 31, 1973, AND PARA 5 OF THE MEMORANDUM OF UNDERSTANDING OF JUNE 28, 1974.

6. MISSION OFFICERS REITERATED TO GOP OFFICIALS ONCE AGAIN THE LEGAL COMPLEXITIES AND DANGERS OF BEING IN DEFAULT ON AN OBLIGATION DUE A USG ENTITY. THEY NOTED THAT PICIC AND IDBP LOANS COULD REASONABLY BE CONSIDERED COMMODITY LOANS, WHICH THE GOP WOULD CONTINUE TO SERVICE. AS SUCH THEY HAD BEEN INCLUDED IN THE PACKAGE OF LOANS AGAINST WHICH THE QUANTUM OF DEBT RELIEF

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WAS DETERMINED.

7. COMMENT: WHILE BOTH WE AND GOP APPRECIATE USG INTENTION TO RESCHEDULE ONLY CERTAIN U.S. AID LOANS TO MEET USG SHARE OF CONSORTIUM DEBT RELIEF GRANTED TO PAKISTAN BECAUSE OF THOSE DISPUTED LOANS (COMMODITY AND FOOD LOANS) WHICH IT IS CONTINUING TO SERVICE, BOTH MEMORANDA OF UNDERSTANDING APPLY TO ALL U.S. GOVERNMENT

LOANS. WE REPEAT SUGGESTION REF B THAT INTERESTED  
WASHINGTON AGENCIES STUDY IMPLICATIONS OF TWO MEMORANDA.

8. REF C TO WHICH USG A PARTY PARA 3. C CLEARLY STATES QUOTE  
BEGINNING JULY 1, 1974 PAKISTAN WOULD NOT BE EXPECTED TO  
SERVICE ANY DEBTS INCURRED FOR PROJECTS VISIBLY LOCATED IN  
BANGLADESH. UNQUOTE.  
BYROADE

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## Message Attributes

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